CAPITAL FIXED ASSET GUIDE

For Financial Reporting Purposes

CAFR Group, State Auditor's Office—Revised 7/01/2012

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Objective

The purpose of a capital asset system is: 1) to provide control and accountability over capital assets, and 2) to gather and maintain information needed for the preparation of the State's Comprehensive Annual Financial Report (CAFR) in conformity with Generally Accepted Accounting Principles and in principle with Governmental Accounting Standards Board Statement 34.

Policy

Governmental Accounting Standards Board (GASB) Statement 34 requires that all capital assets be reported in the government-wide balance sheet net of accumulated depreciation if applicable.

Each agency is responsible for reporting accurate, complete, and timely capital asset information to the State Auditor's Office (SAO) annually.

The CAFR Group of SAO is responsible by statute for compiling the capital asset information from agencies for inclusion in the State's Comprehensive Annual Financial Report.

Capital Asset Definitions and Guidelines

Capital assets are tangible and intangible assets acquired for use in operations that will benefit more than a single fiscal period. Typical examples are land, improvements to land, easements, water rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and various intangible assets. (Land associated with infrastructure should be reported as land rather than as part of the cost of the related infrastructure asset.)

A capitalized asset is a capital asset that has a value equal to or greater than the capitalization threshold established for that asset type. Capitalized assets are reported for financial reporting purposes.

Capital Asset Type and Capitalization Thresholds

The State has invested in a wide variety of capital assets used in state operations. These assets are broadly classified as follows:

Capitalization Threshold for capitalizing assets for each major class of assets is as follows:

Asset Type	Threshold
• Land**	Capitalize All
• Land Improvements	$ 50,000
• Buildings	$ 50,000
• Building Improvements	$ 50,000
• Leasehold Improvements	$ 50,000
• Vehicles	$ 5,000
• Equipment	$ 5,000

• Infrastructure	$ 1,500,000
• Infrastructure Improvements	$ 50,000
• Capital Leases	$ 5,000
• Intangible Assets	
Internally Generated Software	$ 2,000,000 (effective 07/01/2012)
Purchased Software	$ 5,000
Easements**	$ 500,000 (Effective 07/01/2012)
• Construction-in-Progress	Not Applicable
• Works of Art/Historical Treasures	Exemption

**Please note ALL Easements and Land are required to be reported per W.S. 36-1-102 on the Uniform Real Property Reporting System regardless of value. The above thresholds are for Comprehensive Annual Financial Reporting purposes. For more information about proper reporting of these asset types please see pages 6 and 12.

The asset type is used to organize capital assets in the broad classifications above. An essential function of the asset type is to establish a link between the asset master record and the related posting to the accounting general ledger. Therefore, assets purchased, constructed or donated that meet or exceed the capitalization threshold, or minimum reporting requirements, must be uniformly classified, utilizing the existing asset type structure. Each asset type is further detailed into fixed asset catalog codes. The fixed asset catalog code breaks the asset class into groups of similar items and contains the recommended estimated useful life (expressed in years) for the group of assets.

Capital Asset Acquisition Cost

Capital assets are recorded and reported at their historical costs. Historical cost includes the vendor's invoice (less the value of any trade-in), initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges, such as freight and transportation charges, site preparation costs and professional fees.

The costs of capital assets for ***governmental activities*** do not include capitalized interest. Interest, however, is capitalized on assets that are constructed for an agency's enterprise fund or otherwise produced for an enterprise fund's own use (including assets constructed or produced for the enterprise by others for which deposits or progress payments have been made), and assets intended for sale or lease that are constructed or otherwise produced as discrete projects (for example, ships or real estate developments).

PLEASE NOTE: The book value of assets recorded at historical costs should never be increased to reflect appraised value, insurance value, replacement cost, etc.

When the sale is between state entities, the selling agency's historical cost of the asset and the accumulated depreciation will carry in WOLFS to the agency buying/receiving the asset. **A gain or loss is not recognized.**

Capital Asset Donations:

GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transaction*s, defines a donation as a voluntary non-exchange transaction entered into willingly by two or more parties. Both parties may be governments, such as the Federal Government, another state, a county or municipality, or one party may be a nongovernmental entity, including an individual.

PLEASE NOTE: A voluntary contribution of resources between State agencies is not a donation. The timing of recognition of the asset and related revenue is outlined as follows:

When an asset has been received and the eligibility requirements to receive the asset **have** been met, capital assets are debited and revenue is credited in the *fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.*

When an asset has been received but the eligibility requirements to receive the asset **have not** been met, capital assets are debited and deferred revenue is credited in the *fund financial statements of an enterprise fund and the government wide financial statements for a governmental fund.*

Appraisal of Assets (Gifts and Donations)

Donated property must be recorded at its estimated fair market value on the date of acquisition, using a reasonable market study.

The method used to appraise the value computed for gifts and donations should be based on a reasonable assessment. This method must be fully documented and maintained on file to support the value.

Capital Asset Categories

Land

Land is defined as the surface or crust of the earth, which may be used to support structures or grow crops, grass, shrubs, and trees. Land is characterized as having an inexhaustible life. All expenditures made to acquire land and to ready it for its intended use should be considered as part of the land cost.

Examples of expenditures to be capitalized as land:

- Purchase price or, if donated, fair market value at time of donation
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Permanent landscaping such as land clearing, excavation, fill, grading, drainage (includes movement of earth in preparation for water impoundment)
- Demolition of existing buildings and improvements (less salvage)

- Removal, relocation, or reconstruction of property of others on the land so that the land may be used differently (railroad, telephone and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells (includes initial cost for drilling, the pump and its casing)
- Right-of-way.

Land is entered and tracked by agencies using the Uniform Real Property Reporting System (URPRS) which is located on the Office of State Lands and Investments (OSLI) website. Together, OSLI and the State Auditor's Office, use the system to maintain a listing of all state owned lands for various purposes including financial reporting. The following is a link to OSLI's website for URPRS http://slf-web.state.wy.us/urprs/

Land Improvements

Land improvements are defined as attachments to the land that have limited lives and therefore are recorded separately and are depreciable.

Examples of expenditures to be capitalized as land improvements:

- Fencing and gates
- Landscaping of non-temporary nature
- Parking lots/driveways/parking barriers/roadway
- Outside sprinkler systems
- Recreation areas & athletic fields (including bleachers)
- Golf course
- Paths and trails
- Septic systems
- Swimming pools, tennis courts
- Fountains
- Plazas, pavilions
- Retaining walls
- Lighting systems
- Water impoundment structures or attachments (dam, liner, other water control structures)

Buildings and Building Improvements

A building is defined as a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be mobile.

Building improvements are defined as capital events that increase the value of a building, materially extend the useful life of a building, or both. A building improvement should be capitalized as a sub-asset of the building and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold and the expenditure increases the life or value of the building by 25 percent of the original life period or cost.

Examples of expenditures to be capitalized as buildings:

PURCHASED BUILDINGS

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos abatement)
- Professional fees (sales commission, legal, architect, inspection, appraisal, title search, etc.).
- Payment of unpaid or accrued taxes on the building at the date of purchase
- Cancellation or buyout of existing leases on the building
- Other costs required to place or render the asset into operation

CONSTRUCTED BUILDINGS

- Completed project costs
- Interest accrued during construction for enterprise type activities
- Cost of excavation or grading or filling of land *for a specific building*
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits

Professional fees (architect, engineer, management fees for design and supervision, legal)

Note: Architect fees are expensed if a decision is made to **not** proceed with the construction of the building.

- Costs of temporary buildings used during and for the construction
- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream

BUILDING IMPROVEMENTS

Examples of Expenditures to be capitalized as Building Improvements:

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project that increases the value and/or useful life of the building (such as renovation of a student center) and meets the capitalization threshold. A replacement may also be capitalized if the new item or part is of significantly improved quality and higher value compared to the old item or part (such as replacement of an old shingle roof with a new fireproof tile roof). Replacement or restoration of an item to its original utility level is not capitalized. Determinations must be made on a case-by-case basis.

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom space
- Structures *attached* to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Original installation/upgrade of heating and cooling systems, including ceiling fans and attic vents

- Original installation/upgrade of wall or floor covering such as carpeting, tiles, paneling, or parquet.
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Installation or upgrade of windows or door frames, upgrading of windows or doors, built-in closets and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation, such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)
- Other costs associated with the above improvements

Building Maintenance Expense

Maintenance costs allow an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

The following are examples of expenditures ***not*** to be capitalized as building improvements. Instead, these items should be recorded as repair and maintenance expense:

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper
- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building.

Determining whether to capitalize or expense an item

In determining whether expenditures are related to a maintenance item or whether it is related to a capital item, the following guidance is offered:

> Care is sometimes needed to distinguish actions that lengthen the useful life of an asset from those that merely avoid shortening it.
>
> Assume, for example, that a new building is expected to have a useful life of 80 years, but will need to have its roof replaced in just half that time. Further assume that the cost of the roof is included in the cost of the building (i.e., rather than treated as a separate capital asset in its own right).
>
> It might be tempting to argue that since the building's useful life would be just 40 years if the roof were not replaced, the replacement extends the building's useful life and so qualifies as an improvement. In substance, however, the replacement of the roof does not lengthen the building's originally estimated useful life of 80 years, but simply avoids cutting it in half. That is, the roof replacement ***maintains*** rather than ***extends*** the originally estimated useful life of the building, and therefore should be treated as a repair (i.e., maintenance) rather than as a replacement. (From "*Accounting for Capital Assets; A guide for state and local governments*")

- The area of capitalizing or expensing capital expenditures including repairs and maintenance requires judgment and has significant flexibility. If the expenditures are to be capitalized, then the *700 Series of Expenditures* should be used. If personnel are directly hired for the project (such as a project manager), these costs need to be capitalized as well. The independent auditors maintain their concerns about how the State of Wyoming handles Construction in Progress and Maintenance payments, including expensing items previously reported as capitalizable and carried as CIP.

- Generally, expenditures that **increase the economic value** of the asset **increase the useful life beyond the original useful life**, or **increase the productive capability of capacity** (uses, scope of users, etc.) should be capitalized.

- Expenditures made to **restore or maintain** an asset at its original condition are expensed and not capitalized.

Agencies may want to use the following Capital Fixed Asset Decision Tree in determining whether to capitalize an item or expense the item:

Consider that you have an asset for which an additional purchase is being made. May I capitalize the new purchase? To determine if the item qualifies for capitalization, answer the questions below.

1. Are you removing something from the asset and replacing it with something else? If yes go to question #2; if no, see decision tree for add on.

2. Will the item be permanently and intrinsically tied to the FA for the duration of the FA's life? If yes, go on to question #3. If no, then expense.

3. Will this asset now perform a function or provide additional capabilities it was unable to perform previously? (This is a new function, not an enhancement of a function performed previously) If no then expense; if yes, then go to add on decision tree.

Questions for FA add on to existing asset decision tree:

1. Will the item be permanently and intrinsically tied to the FA for the duration of the FA's life? If yes, go on to question #2. If no, then expense.

2a. Does item increase the FA's capacity, functionality, or operating efficiency?

AND/OR

2b. Does item extend the FA's useful life by at least 1 yr? If the answer to either is yes then capitalize; if no, then expense.

Impairment of Capital Assets:

A capital asset is considered to be impaired when its service utility has permanently declined significantly and unexpectedly. Events or changes in circumstances that may be indicative of impairment include evidence of physical damage, changes in legal or environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset and construction stoppage.

Generally, an asset would be considered impaired if both:

- the decline in service utility of the asset was large in magnitude and
- the event or change in circumstances was outside the normal life cycle of the asset.

In the event a reportable capital asset is impaired, there are two options for reporting the impairment:

- If the asset will no longer be used, the asset should be written down to the lower of carrying value or fair market value.
- If the asset will continue to be used, the asset should be written down by the estimated impairment loss, as defined in GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

Leasehold Improvements

Leasehold improvements are defined as improvements made to leased property that will revert to the lessor at the expiration of the lease. Leasehold improvements include construction of new buildings or improvements made to existing structures by the lessee, who has the right to use these leasehold improvements over the term of the lease. Moveable equipment or office furniture that is not attached to the leased property is not considered a leasehold improvement. For leasehold improvements, the useful life is the estimated service life of the leasehold improvements, or the remaining term of the lease, whichever is shorter.

Easements

An easement is defined as an interest in land owned by another entity that entitles its holder to a specific limited use or enjoyment (right to use the land). Easements are typically used to access another property. The useful life of an easement is determined by the contract in place. If an easement has an indefinite life, then for financial reporting purposes it would not be depreciated. If an easement has a limited life, then for financial reporting purposes it would be depreciated over the life of the asset (contract).

Easements are entered and tracked by agencies using the Uniform Real Property Reporting System (URPRS) which is located on the Office of State Lands and Investments (OSLI) website. Together, OSLI and the State Auditor's Office, use the system to maintain a listing of all state owned easements for various purposes including financial reporting. The following is a link to OSLI's website for URPRS http://slf-web.state.wy.us/urprs/

Equipment

Equipment is defined as fixed or movable tangible assets to be used for operations. Improvements or additions to existing equipment that constitute a capital outlay or increase the value or life of the asset by 25 percent of the original cost or life should be capitalized and recorded as a sub-asset of the existing asset.

Examples of expenditures to be capitalized as equipment include:

- Original contract or invoice price
- Freight charges
- Import duties
- Handling and storage charges
- In-transit insurance charges
- Sales, use, and other taxes imposed on the acquisition
- Installation charges
- Charges for testing and preparation for use
- Costs of reconditioning used items when purchased
- Parts and labor associated with the construction of equipment

Note: If incidental items, such as extended warranties or maintenance agreements, are included with the capital asset upon receipt and are not listed as a line item on the purchase order or on the invoice, then the incidental charges are considered a part of the capital asset.

Equipment vs. Vehicle

A Vehicle is a fixed asset that can move itself under its own power. Cars and trucks should be classified as vehicles. Travel trailers, horse trailers, etc. should be classified as equipment. Careful consideration should be given as to whether an asset is a vehicle or equipment.

Infrastructure

Long-lived capital assets that normally are: 1) stationary in nature and 2) can be preserved for a significantly greater number of years than most capital assets. Those assets with a cost greater than $1,500,000 must be reported to the CAFR Group.

Examples of expenditures to be capitalized as infrastructure include:

- Highway and rest areas
- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Bridges, railroads, trestles
- Canals, waterways, wharfs, docks, sea walls, bulkheads, boardwalks
- Dam, drainage facility
- Radio or television transmitting tower
- Electric, water, and gas (main lines and distribution lines, tunnels, etc.)
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage
- Airport runway, strip, taxiway or apron

Modified Approach vs. Depreciation

The Modified Approach is an alternative to reporting depreciation for infrastructure assets that meet the following criteria:

- Assets are managed using a qualifying asset management system, and
- Documentation shows that the assets are being preserved at or above a condition level established by the government.

Depreciation is not reported for infrastructure assets using the modified approach. Only infrastructure assets that comprise a network or subsystem of a network can be reported using the modified approach. The state highway system (excluding bridges), administered by WYDOT, is the only network reported by the state using the modified approach.

Construction-in-Progress

Construction-in-Progress (CIP) consists of construction projects subject to capitalization, either tangible or intangible in nature. When a capital asset project is completed within one fiscal year, the related asset is added directly to WOLFS fixed assets before fiscal year end. If a project is not completed within one fiscal year, that portion of accumulated costs which is capitalizable should be reported to the SAO CAFR Group and recorded as CIP at fiscal year end. CIP is reported as a capital fixed asset category in the State's Comprehensive Annual Financial Report. Because an asset under construction is not complete, or being used, depreciation will not be recorded. The agency will be responsible for supplying information on projects as requested by the external auditors during the annual financial audit.

The asset under construction should be capitalized to its appropriate capital asset category (Land, Land Improvements, Buildings, Building Improvements, Leasehold Improvements, Equipment, Infrastructure, Intangible assets, etc.) upon the earlier occurrence of; substantial completion, occupancy, or when the asset is placed into service. If you have any questions regarding CIP procedures, please contact the State Auditor's Office.

1. PROCEDURES FOR TRANSFERRING AN ASSET (Other than buildings) FROM CIP TO WOLFS FIXED ASSETS:

- **Contact the State Auditor's Office**. The agency will be required to send to SAO CAFR Group a completed "Fixed Asset Request Form" for each capitalizable CIP project that has been completed which needs to be recorded in WOLFS fixed assets. Upon receipt of the form SAO will talk to you about balancing your CIP budget and determining the total cost of the asset. SAO will create a manual FA shell in WOLFS and contact the agency to complete the document. SAO will update the CIP schedule to show that the asset has been transferred from CIP to WOLFS fixed assets. The agency should not consider the project complete until they verify that the asset has been added to WOLFS fixed assets.

2. PROCEDURES FOR ADDING A BUILDING TO STATE INVENTORY:

The threshold for buildings is $50,000.00. Agencies will continue to use object code 0701.06 to record a purchase of already constructed buildings. For buildings being constructed the process will remain the same. The expenditures will be made through the object of expenditures for capital outlay.

Whether a building is acquired through outright purchase, or is new construction, there are three distinct areas that need to be addressed by the agency responsible for the purchase or construction of the building. The Agency will be required to obtain a Location number, notify Risk Management, and contact the State Auditor's office to fill out the Fixed Asset Request Form. Their contact information is listed below.

a. CONSTRUCTION OF A BUILDING

- **Request a location number** from State Inventory. This can be done at any time during the construction phase but normally occurs when equipment or furnishings are put on the fixed asset system and you need a location for the FA document. Sandra will need to know your agency number,

the address for the building, the name of the building (i.e. Herschler Bldg), and the intended use of the building.

- **As soon as you have a Certificate of Occupancy** for the building contact Risk Management. When you get the certificate of occupancy, responsibility and liability for that building transfers to the State of Wyoming. Notifying Risk Management is the only way for you to be assured that the building is covered by insurance for accidents or loss.
- **When you begin occupation of the newly constructed facility for its original intended use**, contact the State Auditor's Office requesting a building be added to WOLFS fixed assets. You will be required to fill out the Fixed Asset Request Form, and if you have not already requested a location number, you will need to do so at this time. Upon receipt of the form SAO will talk to you about balancing your construction-in-progress budget and determining the total cost of the building. SAO will create a manual FA shell in WOLFS and give the document number to A & I to complete the FA shell. Once the asset is added to WOLFS, SAO will email a copy of the Fixed Asset Request Form back to the agency with the new Fixed Asset number listed at the bottom. SAO will update their CIP records for your agency to show that the building has been transferred from CIP to WOLFS fixed assets. The agency should not consider the project complete until they verify that the building has been added to WOLFS fixed assets.

b. PURCHASE OF EXISTING BUILDING

As soon as you have closed on the building:

- Contact State Inventory for a location number
- Contact Risk Management to add the building to insurance
- Contact SAO to have the asset added to WOLFS fixed assets

CONTACT INFORMATION:

State Inventory	Sandra Cooper sandra.cooper@wyo.gov 307-777-5088
Risk Management	Mitzi Krois mitzi.krois@wyo.gov 307-777-6774
State Auditor's Office	CAFR Group saocafrgroup@wyo.gov

Capital Leases

Capital leases transfer virtually all rewards and risks that accompany ownership of property to the lessee. A capital lease is a means of financing property acquisitions and has the same economic impact as a purchase made on an installment plan. Thus, the lessee in a capital lease must record the leased property as an asset and the lease obligation as a liability.

A lease agreement entered into by a State agency is a capital lease and should be capitalized only if the lease agreement meets **one** of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding administrative costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the proceeding criteria should be recorded as an operating lease and reported in the notes of the financial statements.

Intangible Assets

The Governmental Accounting Standards Board (GASB) issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Asset*." Governments are required to implement this standard for periods beginning after June 15, 2009, which would be fiscal year 2010 for the State of Wyoming. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software (including licenses). *Statement No. 51 identifies an intangible asset as having the following three required characteristics:*

- It lacks physical substance - in other words, you cannot touch it, except in cases where the intangible is carried on a tangible item (for example, software on a DVD).
- It is nonfinancial in nature – that is, it has value, but is not in a monetary form like cash or securities, nor is it a claim or right to assets in a monetary form like receivables, nor a prepayment for goods or services.
- Its initial useful life extends beyond a single reporting period.

There are two asset types for Intangible Assets as follows:

1. Depreciable Intangible Assets. The asset is depreciated over the useful life of the asset which is determined by contractual, technological or other factors that put limit to the asset.
2. Non-Depreciable Assets. If parameters do not exist and it is reasonable for the asset to have an indefinite life, then for financial reporting purposes the intangible asset would not be depreciated.

Note: Software maintenance agreements are to be expensed in the period incurred.

Internally Generated Computer Software

Internally generated computer software is:

- Created or produced by the government or an entity contracted by the government; or
- Acquired form a third party, but requires more than minimal effort to achieve expected service capacity.

Costs incurred in creating an internally generated intangible asset are either expensed or capitalized depending on the stage in the asset's development. Therefore it is important that personnel involved in the

project carefully track outlays and categorize them into one of the following three stages, based on the nature of the activities, not the timing:

1. Preliminary project stage – ***Expense***
    a. Conceptual formulation and evaluation of alternatives
    b. Determination of existence of needed technology
    c. Final selection of alternatives
2. Application development stage – ***Capitalize***
    a. Design of the chosen path
    b. Coding
    c. Installation to hardware
    d. Testing and parallel processing
    e. Software purchase
3. Post-implementation/operation stage – ***Expense*** (even if the timing of the outlay occurs while application development is still in progress)
    a. Application user training
    b. Software maintenance

Data conversion is an activity of the application development stage only if it is necessary to make the software operational; otherwise it is an activity of the post-implementation/operation stage. Data conversion activities include:

- Purging/cleansing of existing data
- Conversion of data from legacy system to new system
- Reconciliation of data from legacy system to data in new system

Modifications of software that is already in operation are capitalized only under certain conditions if any of the following occur:

- An increase in the functionality of the software
- An increase in the efficiency of the software
- An extension of the estimated useful life of the software

If the modification does not result in one of the above, associated outlays are considered maintenance and must be expensed.

Other Capital Assets

Works of Art and Historical Treasures:

Works of Art and Historical Treasures are collections or significant individual items that are owned by a state agency and are not held for financial gain but rather for public exhibition, education or research as part of a public service. Collections or individual items that are protected and cared for or preserved are subject to an organizational policy that requires the proceeds from their sales to be used to acquire similar items.

Exhaustible collections or items are items whose useful lives are diminished by display or educational or research applications.

Inexhaustible collection or items are items whose economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. Because of their cultural, aesthetic or historical value, holders protect and preserve these assets more than they do for similar assets without such value.

All works of art and historical treasures acquired or donated are capitalized unless held for financial gain.

If a collection is held for financial gain and is not capitalized, disclosures must be made in the notes that describe the collection and the reasons these assets are not capitalized. Agencies should recognize program expense equal to the amount of revenues when donated collection items are added to noncapitalized collections.

GASB 34 Option for Works of Art and Historical Treasures

GASB 34 provides states an option to not capitalize works of art and historical treasures. To use this option a state's works of art and historical treasures must meet all of the following:

Optional capitalization of collections (and later additions to those collections) that meet <u>*all*</u> of the following conditions:

a. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain
b. Protected, kept unencumbered, cared for, and preserved
c. Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The Collections Management Policy of the Department of State Parks and Cultural Resources establishes essentially four collections: The collections comprise the State Parks, the State Museum, Wyoming State Historical Sites and the Capitol Collection. The policies which govern these collections comply with the GASB 34 requirements for optionally not capitalizing designated items comprising collections. The State has opted to not capitalize works of art, historical treasures and artifacts contained in the collections of the Wyoming State Museum, State Parks, Wyoming State Historical Sites and the Capitol. The collections per the collections policy are held for public exhibition, education, or research in furtherance of public service. The collections are protected, kept unencumbered, cared for, and preserved. The collections are subject to an organizational policy that requires the proceeds from sales of collection items to be used to maintain the existing collection.

Capital Fixed Asset Reminders

New Location

A new location needed in WOLFS for the tracking of fixed assets is requested by the agency. All requests for locations go to A&I. A&I will then complete a "Location Request Form" and forward the completed form to the SAO-CAFR Group for its establishment in WOLFS.

Impact of capital fixed asset's useful life

When completing your **system generated** FA document, and you are completing the component classification of the FA document as shown here;

Fixed Asset Classification : Normal
Fixed Asset Catalog : E900
Fixed Asset Type : E
Fixed Asset Group : E900
Useful Life : 3

particular attention needs to be paid to the fixed asset catalog selection. The fixed asset catalog selection provides the following information:

Fixed Asset Catalog	Fixed Asset Type	Fixed Asset Type Name	Fixed Asset Group	Fixed Asset Group Name	Useful Life	Depreciation Method
E100	E	EQUIPMENT/FURNITURE/FIXTURE	E100	Office Chairs	7	2
E101	E	EQUIPMENT/FURNITURE/FIXTURE	E101	Office Desk/Table/Hutch	7	2
E102	E	EQUIPMENT/FURNITURE/FIXTURE	E102	Office Bookcase	7	2
E103	E	EQUIPMENT/FURNITURE/FIXTURE	E103	Office File	7	2
E104	E	EQUIPMENT/FURNITURE/FIXTURE	E104	Office Stands	7	2
E105	E	EQUIPMENT/FURNITURE/FIXTURE	E105	Office Storage Cabinets	7	2
E106	E	EQUIPMENT/FURNITURE/FIXTURE	E106	Office Safes	7	2
E107	E	EQUIPMENT/FURNITURE/FIXTURE	E107	Office Antique Items	7	2
E200	E	EQUIPMENT/FURNITURE/FIXTURE	E200	House/Inst Vanities	7	2
E201	E	EQUIPMENT/FURNITURE/FIXTURE	E201	House/Inst Dressers	7	2

The most important column of those shown is the useful life. This is the future accounting period over which the capital fixed asset will be allocated through depreciation charges. We have recently encountered several instances where agencies bought new equipment and traded in existing assets. When the FD document was processed, significant losses were being generated on the disposed asset. The asset being disposed had been established with a useful life of 14 years, but was being traded after only 3 years, thus producing the loss because of such a high book value at time of disposal. The protocol for trading in an asset is to capitalize the new asset at its purchase price plus any ancillary costs to place the asset in production. The asset traded in is disposed, and an FI document is processed for any remaining book value of the existing asset and added to the capitalized cost of the new asset. When significant losses are generated, then future periods are charged with the additional depreciation as a result of the adjusted capitalized cost. Had the useful life selected been more in line with the reality of the true life of the asset then cost, disposal and depreciation would be properly reflected.

Purchase of capital fixed assets with PCARD

PCARD Capital Fixed Asset Purchases

When completing a PRC document that has been loaded through the PCARD Interface, the following relates when a capital fixed asset has been purchased:

General Information:

- The **Commodity V299** (Visa Purchase) is loaded from the interface. For a fixed asset purchase,

  change the Commodity to one of the following: 0240, 0241, 0242, 0243, 0244, 0245, 0246, 0247, 0249.
- Select ***Item*** in the **Line Type** field.
- Enter the **Quantity**.
- Enter the **Unit of Measure**, as defined on the Unit of Measure (UOM) table pick list.
- Enter the **Unit Price**.

NOTE: For fixed asset purchases, the Commodity and Object codes must match.

Capital Fixed Asset Tags

Agencies are reminded to obtain their capital fixed asset tags from Administration and Information.

State of Wyoming Inventory Policy

The capitalization threshold for all asset classes was increased on July 1, 2009. The asset class with the biggest impact to agencies will be equipment. The threshold for this asset class is being raised from $500 to $5,000. This means those items falling in the range $500-$4,999 will no longer be captured on the WOLFS fixed asset system. In conjunction with the Department of Administration and Information (A&I) and Risk Management, an Inventory Policy has been established. This policy requires agencies to maintain a master inventory listing for those equipment items from $500-$4,999, as well as those assets equal to or in excess of $5,000. To assist agencies in this effort, SAO CAFR Group will on a monthly basis, beginning in August 2009, place on our website excel spreadsheets which contain information on items agencies have purchased within the $500-$4,999 range and for object codes 240, 241, 242, 243, 244, 245, 246, 247 and 249.

This report will pull from the journal the relevant information contained in the PRC document. Agencies will then download this report and add any additional information they may require for each item listed, including, but not limited to, location, assigned to, serial number and model number. Agencies will then need to download monthly and append this file to their master inventory file for their agency. Agencies have the

option of adding to this list those items below $500, which they may deem to be ‘walkables’ and want to track as well.

For the inventory items, agencies will be required to generate their own ‘asset tag’ to place on these items and will need to account for changes to these items; when these items are surplused or otherwise disposed of on the master inventory list. If these items are at a location not currently on the system, new locations can be requested to be added.

Part of the master file listing for agencies will be the capital fixed asset listing which is already being provided monthly and which agencies should be downloading and reconciling to.

Please note that items which have been capitalized, based on the previous threshold of $500, will remain on the capital fixed asset listing until they are disposed.

This master inventory file, which is comprised of the inventory listing, as well as the capital fixed asset listing, will be the basis for performing an annual physical inventory audit. Agencies will be required to provide evidence and sign-off to A&I—Risk Management that this physical inventory has been completed. The Master Inventory Forms and Instructions are located on Risk Management’s website as follows: http://ai.state.wy.us/GeneralServices/RiskMgt/index.asp

Please contact A&I Risk Management for questions regarding the inventory policy.

Annual Physical Inventory

This new inventory policy will also include an annual physical inventory of both capital fixed assets and inventoriable items on a calendar year basis to coincide with A&I Risk Management’s property valuation survey which is sent out each January and due back by the following March 1.